Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Section 63.71 Application of Verizon Long	)	WC Docket No. 10-116
Distance LLC for Authority to Discontinue	)	Comp. Pol. File No. 931
Domestic Telecommunications Services	)	
	)	

ORDER

Adopted: June 30, 2010 **Released:** June 30, 2010

By the Chief, Wireline Competition Bureau:

I. INTRODUCTION

1. In this Order, we grant the application of Verizon Long Distance LLC (Verizon or Applicant), to discontinue the provision of SmartTouch prepaid long distance service pursuant to section 214(a) of the Communications Act of 1934, as amended (the Act),[1] and section 63.71 of the Federal Communications Commission's (Commission) rules.[2] As explained in further detail below, this Order provides Verizon with authority to discontinue a service that Verizon indicates has experienced significant declines in use over time. This Order also addresses comments that were filed in opposition to Verizon's proposed discontinuance. Specifically, we grant Verizon authority to discontinue service consistent with its filed representations that it has addressed the concerns of commenting customers and that a delay to its planned discontinuance on July 1, 2010 would result in significant difficulties for the company.

II. BACKGROUND

2. On April 26, 2010, Verizon filed an application with the Commission requesting authority, under section 214 of the Act and section 63.71 of the Commission's rules, to discontinue the provision of SmartTouch prepaid long distance service in a number of states.[3] Specifically, Verizon seeks authority to discontinue SmartTouch prepaid long distance service in the above-mentioned locations. Verizon specifies that this service allows customers to prepay the amount of money they anticipate spending on long distance calls, including international calls, each month. Verizon further explains that the customer's actual long distance expenses are then deducted from that amount. Verizon adds that when placing long distance calls, SmartTouch customers receive notice of the funds remaining in their SmartTouch account and have the option of adding funds to their account as needed to place additional

[1] 47 U.S.C. § 214(a).

[2] 47 C.F.R. § 63.71.

[3] Specifically, Verizon seeks authority to discontinue the service in Arizona, California, Colorado, Connecticut, Delaware, Florida, Idaho, Illinois, Indiana, Iowa, Maine, Massachusetts, Michigan, Minnesota, Missouri, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Ohio, Oregon, Pennsylvania, Rhode Island, South Carolina, Texas, Utah, Vermont, Virginia, Washington, West Virginia and Wisconsin (collectively Service Areas). Verizon asserts that it is non-dominant with respect to the service it seeks to discontinue.

long distance calls. Verizon proposes to discontinue its provision of SmartTouch prepaid long distance service as early as July 1, 2010, subject to Commission authorization. Verizon represents that it mailed letters to affected customers to inform them of the proposed discontinuance on April 26, 2010.

3. By Public Notice issued May 27, 2010, the Wireline Competition Bureau (Bureau) announced that Verizon's application would be deemed to be automatically granted on the thirty-first day after the release date of the notice in accordance with section 63.71(c), unless the Commission notified Verizon that the grant would not be automatically effective.[4] Accordingly, the notice stated that pursuant to section 63.71(c), and absent further Commission action, Verizon could not terminate service to the customers affected by the application until July 1, 2010.

4. The Commission received four comments in opposition to Verizon's proposed discontinuance.[5] One commenter states that he can find no other long distance service for his home phone that has costs and features similar to Verizon's SmartTouch service.[6] Another commenter asserts that the SmartTouch service helps her stay within her budget and alternatives could add additional monthly charges she can't afford.[7] The third commenter explains that he chose SmartTouch because he does not make many long distance calls, the plan allowed him to pay for the service as needed, and there is no reasonable substitute since other plans have added taxes and fees associated with them.[8] The last commenter opposes any service fee associated with choosing an alternative long distance provider or plan.[9] In response, Verizon generally stated that prepaid calling cards and prepaid wireless phones are reasonable alternatives to SmartTouch service because they allow customers to place long distance calls and also provide customers with predictable long distance expenses.[10] In consideration of the concerns raised in the record by these commenters, the Bureau issued a second Public Notice, on June 25, 2010, alerting the public that Verizon's application would not be automatically granted.[11] In response to this second Public

[4] *Comments Invited on Application of Verizon Long Distance LLC to Discontinue Domestic Telecommunications Services*, Public Notice, WC Docket No. 10-116, DA 10-985 (WCB May 27, 2010).

[5] *See* Letter from Rose Marie Bergna to Edward George, President, Verizon Long Distance LLC, WC Docket No. 10-116 (dated May 13, 2010) (Bergna Comment); Letter from Carol Ann Porreca to Federal Communications Commission, Wireline Competition Bureau, Competition Policy Division, WC Docket No. 10-116 (filed June 2, 2010) (Porreca Comment); Letter from Barry S. Rosenberg to Federal Communications Commission, Wireline Competition Bureau, Competition Policy Division, WC Docket No. 10-116 (filed May 14, 2010) (Rosenberg Comment); and Letter from Richard Umgelter to Federal Communications Commission, Wireline Competition Bureau, Competition Policy Division, WC Docket No. 10-116 (dated June 21, 2010) (Umgelter Comment).

[6] *See* Umgelter Comment at 1.

[7] *See* Bergna Comment at 1.

[8] *See* Rosenberg Comment at 1.

[9] *See* Porreca Comment at 1. Verizon clarifies that SmartTouch customers will not be assessed a preferred interexchange carrier change fee as a result of the SmartTouch discontinuance. *See* Letter from Ann D. Berkowitz, Director, Federal Regulatory Affairs, Verizon to Marlene H. Dortch, Secretary, Federal Communications Commission, WC Docket No. 10-115 and 10-116 (filed June 29, 2010) (Verizon June 29th Response), at 2..

[10] *See* Letter from Ann D. Berkowitz to Marlene H. Dortch, Office of the Secretary, Federal Communications Commission, WC Docket No. 10-115 and 10-116 (filed June 22, 2010) (Verizon June 22nd Response) at 2.

Notice, the Commission received additional information from Verizon in support of its application to discontinue.[12]

III. DISCUSSION

5. Section 214(a) of the Communications Act, as amended, states that "[n]o carrier shall discontinue, reduce, or impair service to a community, or part of a community, unless and until there shall first have been obtained from the Commission a certificate that neither the present nor future public convenience and necessity will be adversely affected thereby."[13] The primary purpose of this requirement is to reduce the harm to consumers caused by discontinuances of service, which is an important aspect of the Commission's general obligation under the Communications Act to protect and promote the public interest.[14] As the Commission has stated, "we have retained the right to delay grant of a discontinuance authorization if we believe an unreasonable degree of customer hardship would result,"[15] and will review each application to determine whether proper notice has been given, whether customers or other end users are able to receive service or a reasonable substitute from another carrier, and whether the public convenience and necessity is otherwise adversely affected.[16]

6. The Commission has considerable discretion in determining whether to grant a carrier authority to discontinue service pursuant to section 214.[17] Balancing the interests of the carrier and the affected user community, the Commission considers a number of factors including: (1) the financial impact on the common carrier of continuing to provide the service; (2) the need for the service in general; (3) the need for the particular facilities in question; (4) the existence, availability, and adequacy of alternatives; and (5) increased charges for alternative services, although this factor may be outweighed by other considerations.[18]

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[11] *Application of Verizon Long Distance LLC to Discontinue Domestic Telecommunications Services Not Automatically Granted*, Public Notice, WC Docket No. 10-116, Comp. Pol. File No. 931, DA 10-1176 (rel. June 25, 2010).

[12] *See* Verizon June 29th Response (indicating that the affected service experienced significant and steady declines in use, specifying alternative services that are available and asserting that the public interest would not be served by a delay of the discontinuance).

[13] 47 U.S.C. § 214(a).

[14] *See* 47 U.S.C. § 201.

[15] *Policy and Rules Concerning Rates for Competitive Common Carrier Services and Facilities Authorizations Therefor*, First Report and Order, CC Docket No. 79-252, 85 FCC 2d 1, 49 (1980) (*Competitive Carrier First Report and Order*).

[16] *See* 47 C.F.R. § 63.71(a); *see, e.g., AT&T Application to Discontinue Interstate Sent-Paid Coin Service Not Automatically Granted*, Public Notice, NSD File No. W-P-D-497 (Aug. 3, 2001) (requiring AT&T to show how it would minimize the negative impact on affected customers).

[17] *FCC v. RCA Communications, Inc.*, 73 S. Ct. 998, 1002 (1953); *see also Verizon Telephone Companies, Section 63.71 Application to Discontinue Expanded Interconnection Service Through Physical Collocation*, Order, WC Docket No. 02-237, FCC 03-256 (rel. Oct. 22, 2003) (*Verizon Expanded Interconnection Discontinuance Order*).

[18] *Application for Authority Pursuant to Section 214 of the Communications Act of 1934 to Cease Providing Dark Fiber Service*, File Nos. W-P-C-6670 and W-P-D-364, 8 FCC Rcd 2589, 2600, para. 54 (1993) (*Dark Fiber Order*), *remanded on other grounds*, *Southwestern Bell v. FCC*, 19 F.3d 1475 (D.C. Cir. 1994); *see Verizon Expanded Interconnection Discontinuance Order*.

7. We find that the record supports granting Verizon's request to discontinue service. Specifically, Verizon asserts that it has since contacted those commenters that expressed concern in the record, that many alternative services are available, and that the public interest would not be served by a delay of the discontinuance.[19] On the basis of Verizon's representations and considering the five factors identified by the Commission for evaluating applications to discontinue service, we find that the proposed discontinuance should not result in an unreasonable degree of customer hardship, and, therefore, that there should be no adverse effect on the public convenience and necessity.

8. Applying the first of the Commission's factors -- the financial impact of continuing to provide the service for the carrier seeking to discontinue – we note that, in its June 29th Response, Verizon states that any delay to the proposed discontinuance would be burdensome in light of the numerous technological and logistical issues associated with eliminating this service, including the need to extend outside vendor contracts that are scheduled to end on July 1st.[20] In addition, Verizon asserts that a delay to the proposed discontinuance could have a negative effect on Verizon's imminent transaction with Frontier because customers scheduled to be transferred to Frontier on July 1st would not be able to continue to receive the affected services that are scheduled to be discontinued without extensive systems changes.[21] Given Verizon's assertions, we find that the financial impact of continuing to provide these services beyond the planned discontinuance date could be burdensome.

9. Applying factors two and three -- the need for the services in general and for the particular services in question – Verizon explains that its SmartTouch service allows customers to prepay the amount of money they anticipate spending on long distance calls, including international calls, each month. Some commenters in the record suggest that they rely on the SmartTouch service they currently receive.[22] However, Verizon indicates that marketplace developments, including the rapid growth of cell phones and the popularity of competitively priced prepaid calling cards, have led to steady declines in customer use of the affected service.[23] Verizon states that, in August 2005, there were about 1,379,600 minutes of use for SmartTouch nationwide, but by August 2007, SmartTouch use had declined by more than half to 619,500 minutes of use, and that by August 2009, SmartTouch use had again declined by more than half to about 309,400 minutes of use. Verizon states that, as of April 2010, only approximately 20,700 billed telephone numbers nationwide had SmartTouch accounts.[24]

10. Considering factor four -- the existence, availability, and adequacy of alternatives – we note that Verizon asserts that there are several widely available alternatives to SmartTouch long distance service.[25] Verizon notes that these alternatives include, for example, prepaid calling cards and prepaid wireless phones.[26]

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[19] *See* Verizon June 29th Response.

[20] *See* Verizon June 29th Response at 7.

[21] Verizon June 29th Response at 8.

[22] *See*, *e.g.*, Bergna Comment at 1 (indicating that SmartTouch service helps her to stay within her budget).

[23] Verizon June 29th Response at 1.

[24] *See* Verizon June 29th Response at 2.

[25] *See* Verizon June 29th Response at 3-4.

[26] *See* Verizon June 29th Response at 3.

11. Finally, applying the fifth factor -- increased charges for alternative services – we note that Verizon argues that there are several competitively priced alternatives to SmartTouch service. More specifically, Verizon explains that SmartTouch customers pay approximately 8 cents a minute, including taxes and regulatory fees, for domestic long distance calls while several prepaid calling providers, including Speedy Pin Phone Cards and Calling Card.com offer rates that are less than 2 cents per minute for domestic long distance calls.[27]

12. Accordingly, we find that the record in this proceeding supports the Commission's determination that granting Verizon's application to discontinue SmartTouch long distance service is consistent with the public interest convenience and necessity. In addition, we find that Verizon has adequately addressed commenters' concerns that there are no reasonable alternatives to the service to be discontinued. After balancing all of the relevant factors, we therefore conclude that Verizon shall be permitted to discontinue its SmartTouch long distance service on or after July 1, 2010.

IV. ORDERING CLAUSE

13. Accordingly, pursuant to sections 1, 4(i), and 214 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 151, 154(i), 214, and sections 0.91, 0.291, and 63.71 of the Commission's rules, 47 C.F.R. §§ 0.91, 0.291, 63.71, IT IS ORDERED that the application of Verizon Long Distance LLC to discontinue domestic telecommunications service IS GRANTED.

FEDERAL COMMUNICATIONS COMMISSION

Sharon E. Gillett
Chief
Wireline Competition Bureau

[27] *See* Verizon June 29th Response at 4 (noting that there are 88 carriers engaged in the provision of prepaid calling cards).